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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 000684

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SUBJECT: AMBASSADOR DISCUSSES ENERGY, LABOR AND
TELECOMMUNICATIONS ISSUES WITH BANGLADESH MINISTRIES

SUMMARY

¶1. (C) Key Government of Bangladesh (GOB) officials were focused on the future of energy resources in Bangladesh, new developments in telecommunications, ongoing concerns about avian influenza (AI) and child labor in recent courtesy calls with the Ambassador. The discussion on energy highlighted the urgent need for a pragmatic assessment of Bangladesh's energy needs and resources, one that accounts for available reserves, including coal, that addresses investor concerns and that balances economic, environmental and social demands. The Special Assistant for Telecommunications discussed his plans to expand the sector, and the Special Assistant for the Fisheries and Livestock Ministry affirmed his commitment to stamping out child labor and open communication on AI. All three special assistants sounded the right notes on issues for which they are responsible, but with only six months left in their tenure it appears unlikely they will be able to make significant progress on the challenges they face.

PROGRESS AND FRUSTRATION IN THE ENERGY SECTOR

¶2. (C) An engineer by training, the Special Assistant to the Chief Adviser for the Ministry of Power, Energy and Mineral Resources, Prof. M.A.Tamim is widely respected in the energy industry and considered a pragmatist. Citing the current and growing shortfall in electricity generation and the development of new power plants, he said there could be ample supplies of gas, but exploration had frozen because would-be investors had not been guaranteed an adequate return on investment. That said, he believed Bangladesh's gas should increasingly be used for industrial uses, such as fertilizer production. Power generation, he suggested, should come from Bangladesh's enormous coal reserves or perhaps even from civilian nuclear reactors.

¶3. (C) The Ambassador raised Chevron's concern about international arbitration in disputes on future projects, and GE's concern about turbine specifications for power plants. Tamim replied that the Law Ministry had approved the inclusion of international arbitration clauses in power contracts versus domestic arbitration, and that future tenders for power plants would allow a wider range of plant specifications.

¶4. (C) As a pragmatic man representing an often non-pragmatic government, Tamim's frustration was evident. He described how the long-awaited draft coal policy had been sent back to the drawing board after its circulation through the ministries resulted in an impractical document. Hopeful the draft coal policy would soon be approved by the Council

of Advisers, he emphasized that the public's skepticism of large energy projects was understandable, given Bangladesh's bad experiences with some energy projects in the past.

CHILD LABOR, AVIAN INFLUENZA HIGHLIGHTED

15. (U) With Mr. Manik Lal Somaddar, the Special Assistant for the Ministries of Fisheries and Livestock and Science and Information Technology, the Ambassador highlighted the importance of adhering to international labor standards in export industries, such as shrimp processing. The Ambassador acknowledged recent progress against child labor in shrimp processing plants but stressed that the job would not be done until all child labor in the industry was eradicated. On avian influenza (AI) Somaddar highlighted the promptness with which the GOB had announced the news of the country's first human case, reporting that surveillance activity had been stepped up. He also mentioned the importance of cross-border cooperation with India on AI and recent visits of a USAID delegation to both countries. The Ambassador announced that USAID had awarded \$12 million for the Integrated Protected Area Co-management (IPAC) program, through which USAID will continue to support the development of inland open water fisheries. Mr. Somaddar expressed his appreciation.

TELECOMMUNICATIONS TO EXPAND

16. (U) A former chairman of the Rural Electrification Board, the Special Assistant for the Ministries of Post and Telecommunications and Social Welfare, Brig. Gen. (retired)

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M.A. Malek Mollah, praised USAID's long-term commitment to the development of Bangladesh's power infrastructure. He discussed the ministry's efforts to enhance telecommunications, including the expansion of fiber-optic networks to all districts. Mollah expressed support for public-private partnership in developing the telecommunications sector and his desire to move forward with legalized voice-over internet (VOIP). He also stressed his commitment to transparency and open competition for investments in the telecommunications sector.

COMMENT

17. (C) While all three special assistants appear to understand well the challenges that face their ministries, the fact that they plan to depart office following elections scheduled for December limit their effectiveness. Issues important to the development of the energy sector, including a coal policy and terms of tenders for energy exploration and distribution, continue to be bogged down by government bureaucracy. The GOB is actively engaged on the issue of child labor in the shrimp industry, due in part to the petition pending in the United States to suspend Bangladesh's access to the Generalized System of Preferences (GSP). To date, there has been no active regional cooperation on avian influenza, and expansion of Bangladesh's telecommunications sector is slowed by poor infrastructure and poor policy, including the prohibition of foreign investment in VOIP projects.
Moriarty